



Jeffrey R. Carney
President and Chief Executive Officer
IGM Financial Inc.

Report to shareholders

In 2016, IGM Financial Inc. continued to fulfill our mission of delivering long-term growth and value to our clients and shareholders, through our principal businesses, Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. We laid a foundation for continued growth through investing energy and resources in key areas, exhibiting strength in product innovation, effective resource management and investment management enhancements.

The Company has a broad reach across Canadian communities and is well diversified through its multiple distribution channels, product types, investment management units and fund brands. Assets under management are diversified by country of investment, industry sector, security type and management style.

We believe the vast majority of Canadians are best served through the support of a financial advisor who can help them to plan for and achieve their financial goals. The importance of financial guidance and expertise has amplified as Canadians' expectations for transparency and access to information has likewise increased.

Our in-depth understanding of Canadian investors and our association with other members of the Power Financial Corporation group of companies have placed the Company in a position of leadership and strength in the financial services industry. Together, these elements enable IGM Financial to create long-term value for its shareholders, clients, consultants, advisors and employees.

In May 2016, Murray Taylor retired after serving for 12 years as President and Chief Executive Officer of Investors Group and 11 years as Co-President and Chief Executive Officer of IGM Financial.

Jeff Carney was appointed President and Chief Executive Officer of Investors Group, and also President and Chief Executive Officer of IGM Financial, a position he had shared with Mr. Taylor for the past three years.

FINANCIAL HIGHLIGHTS

Net earnings available to common shareholders for the year ended December 31, 2016 were \$770.5 million or \$3.19 per share compared to \$771.7 million or \$3.11 per share in 2015.

Operating earnings available to common shareholders,¹ excluding other items, for the year ended December 31, 2016 were \$736.5 million or \$3.05 per share compared to \$796.0 million or \$3.21 per share in 2015.

Total assets under management at December 31, 2016 were \$141.8 billion compared to \$133.6 billion at December 31, 2015. Mutual fund assets under management at December 31, 2016 were \$137.1 billion, compared to \$127.5 billion at December 31, 2015.

Dividends were \$2.25 per share for the year, unchanged from 2015.

INDUSTRY PERSPECTIVE

Following equity market declines during 2015 and in the first quarter of 2016, there was strong improvement during 2016, with the S&P/TSX Composite Index up over 20% during the year. While ongoing market volatility tests investor confidence, a commitment to financial plans and perseverance rewarded investors.

Research continues to show that Canadians who work with a financial advisor to guide their financial decisions are wealthier, more confident and better prepared for the financial implications of marriage, a new child, post-secondary education, retirement, and other life events.

In April, the Canadian Securities Administrators released a consultation paper seeking comments on proposed targeted reforms relating to the obligations of advisors, dealers and their representatives toward their clients. This step is part of the CSA's continuing review of the dealer-client relationship, with the goal of achieving the best outcomes for investors. The Company will continue to participate in these dialogues to enhance the overall client experience.

OPERATING HIGHLIGHTS

Investors Group Inc. (Investors Group) continued to respond to the complex financial needs of its clients in 2016 by delivering a diverse range of products and services in the context of long-term financial planning and personalized financial advice.

¹ Please refer to the reconciliation of non-IFRS financial measures to measures prescribed by IFRS in Management's Discussion and Analysis (MD&A) on page 17 of this Annual Report.

Investors Group mutual fund assets under management were \$81.2 billion at the end of 2016, compared to \$74.9 billion at December 31, 2015. Mutual fund sales were \$7.8 billion, a decrease of \$1.6% from 2015 sales of \$7.9 billion. The redemption rate on long-term mutual funds was 8.8% for the year ending December 31, 2016, compared to 8.7% in 2015. Net sales of mutual funds in 2016 were \$366 million.

Mackenzie Financial Corporation (Mackenzie Investments) maintained its focus on delivering consistent long-term investment performance by attracting key investment management talent and executing on initiatives to achieve its strategic priorities as it continued to support advisors and its institutional clients in all aspects of their business.

Mackenzie Investments total assets under management were \$64.0 billion at the end of 2016, compared to \$61.7 billion at December 31, 2015. Mutual fund assets under management were \$51.3 billion, compared to \$48.4 billion at December 31, 2015. Mutual fund gross sales were \$6.9 billion, down 0.4% from the 2015 total of \$7.0 billion. Mutual fund net redemptions in 2016 were \$667 million.

In May 2016, IGM Financial invested \$64.5 million in Personal Capital Corporation, a market-leading digital wealth advisor that is incorporated in and operates in the U.S. In December 2016, the Company invested an additional \$32.8 million in Personal Capital, for a total ownership stake of 15%.

In the fourth quarter of 2016, the Company invested a total of \$35 million in WealthSimple Financial Corporation and Portag3 Ventures. WealthSimple is an online investment manager that provides financial investment guidance. The investment was entered into through a limited partnership controlled by the Company's parent, Power Financial Corporation. Portag3 is an early-stage investment fund dedicated to backing creative financial services companies that have the potential for innovative change and global impact. Portag3 is controlled by Power Financial Corporation.

On December 29, 2016 and January 5, 2017, IGM Financial Inc. entered into agreements to acquire a total 13.9% interest in China Asset Management Co., Ltd., one of China's first and largest fund companies, for a total investment of approximately \$647 million (RMB¥3.3 billion). These transactions are expected to close in the first half of 2017, subject to customary closing conditions, including Chinese regulatory approvals.

These investments introduce new capabilities to IGM Financial and its operating subsidiaries. Our investment in technology and operations continues to help us manage our resources effectively and develop long-term growth in our business.

CORPORATE RESPONSIBILITY

At IGM Financial, our core business is helping Canadians to plan for and achieve their financial goals. Because of this trust placed in us, we have a long-standing commitment to act responsibly in everything we do.

We believe that considering the environmental, social and governance impacts of our business contributes to long-term profitability and value creation. In 2016, IGM Financial continued to address these impacts through the advancement of its corporate responsibility strategy, highlighted by the following examples:

- IGM Financial enhanced environmental, social, and governance disclosures in 2016 and moved corporate responsibility reporting online with an expanded web presence to help the public find information more easily about our approach and the activities of our operating companies.
- IGM Financial was added into the FTSE4Good Index Series and the Corporate Knights' list of Best 50 Corporate Citizens in Canada. These recognitions, along with our inclusion in the Jantzi Social Index, demonstrate our commitment to strong environmental, social, and governance (ESG) practices.

- Investors Group and Mackenzie Investments continued to demonstrate their commitment to responsible investing as signatories to the Principles for Responsible Investment (PRI). Both companies completed their first public reporting cycles in 2016.
- IGM Financial received a Leadership score on the CDP survey, demonstrating best-in-class environmental stewardship in actions and approaches to manage climate change. We continued to purchase green natural gas for Investors Group and Mackenzie head offices and relocated Investment Planning Counsel to a state-of-the-art LEED Gold office building.
- The IGM Financial companies maintained our commitment to support the communities where we live and work. Investors Group and Mackenzie Investments continued to be recognized as Imagine Canada Caring Companies.
- IGM Financial is committed to fostering diversity and inclusiveness in the workplace. In 2016, the company engaged its leaders, employees and advisors on creating a diverse and inclusive culture through communication, surveys and training, including the Taking the Stage® leadership communication program for women.

We are proud of our achievements, our commitments and our people. In the years ahead we look forward to building on the foundation of responsible management we have created.

BOARD OF DIRECTORS

The following changes to the Board of Directors were announced at IGM Financial's Annual Meeting of the Shareholders in May 2016.

Gary Doer and Susan McArthur were elected to the Board. Mr. Doer was most recently Canada's Ambassador to the United States (2009 – 2016) and was Premier of Manitoba from 1999 to 2009.

Ms. McArthur is a Managing Partner at GreenSoil Investments and was previously a Senior Investment Banker at Jacob Securities Inc.

V. Peter Harder did not stand for re-election. Mr. Harder served on the Board since 2009 and was a member of the Executive Committee, Community Affairs Committee, Investment Committee, and Compensation Committee.

Retiring from the Board was Murray Taylor, who had been Co-President and Chief Executive Officer of IGM Financial since 2005 and President and Chief Executive Officer of Investors Group since 2004. He first joined Investors Group in May 2001 as Executive Vice-President and in June 2002, was appointed as Executive Vice-President, Financial Services Division. Prior to joining Investors Group, Mr. Taylor held senior roles with Great-West Life Assurance Company and London Life, where he was employed for the preceding 25 years.

We thank our departing directors for their years of service and their valuable contributions to the Board.

LOOKING AHEAD

As Canadians work toward their short- and long-term financial goals, they will increasingly look to make informed decisions to ensure their financial planning needs are met throughout their lives.

IGM Financial will maintain its focus on providing quality investment advice and financial products, service innovations, effective management of the Company and long-term value for our clients and shareholders.

On behalf of the Board of Directors,



Jeffrey R. Carney
President and
Chief Executive Officer
IGM Financial Inc.



R. Jeffrey Orr
Chairman of the Board
IGM Financial Inc.

February 10, 2017